

## Box 4.2

### Development in the insurance sub-sector

The insurance sub-sector has undergone a rapid expansion over the past several years, amidst active promotion by the business operators concerned, as well as increased proliferation and sophistication of insurance products to cater for the needs of customers.

#### Comparison between insurance and the entire financial services sector in terms of value added contribution and employment (rate of change)

	<u>Insurance</u>		<u>Financial services*</u>		<u>All economic sectors</u>	
	Value added at current market <u>prices</u> (%)	Number of persons <u>engaged</u> (%)	Value added at current market <u>prices</u> (%)	Number of persons <u>engaged</u> (%)	GDP at <u>factor cost</u> (%)	Number of persons <u>engaged</u> (%)
1998	0.7	9.4	-10.2	0.2	-4.9	-1.3
1999	8.3	19.2	11.1	-0.6	-2.3	-0.3
2000	18.6	-3.7	11.3	-1.3	4.3	3.0
2001	4.5	0.8	-6.0	4.7	-1.1	1.4
2002	4.8	6.9	-0.2	-0.6	-0.8	-0.7
Average annual growth rate over 1997 - 2002 (5 years)	7.2	6.3	0.8	0.5	-1.0	0.4

Note: (\*) Comprising banking, insurance, stock brokerage, fund management and other financial services.

Source: Composite employment estimates, Census and Statistics Department.

In terms of value added, the insurance sub-sector recorded an average annual increase of 7.2% during 1997 - 2002, much better than the 0.8% rise for the entire financial services sector and the 1.0% decrease for the economy as a whole. In 2002, the insurance sub-sector contributed some 1.3% to GDP at factor cost, up from 0.9% in 1997.

In terms of number of persons engaged, that in the insurance sub-sector went up by an average of 6.3% per annum during 1997 - 2002, again much exceeding the corresponding increases of 0.5% for the entire financial services sector and 0.4% for the economy as a whole. In 2002, the insurance sub-sector had a share of 1.3% in total employment, up from 1.0% in 1997.

Value added per persons engaged in the insurance sub-sector amounted to \$373,200 in 2002, 4.5% higher than that in 1997. At this level, it was broadly comparable to that of \$372,800 for all economic sectors taken together, yet much lower than that of \$819,500 for the entire financial services sector.

As to insurance premium, total gross premium for the insurance sub-sector surged by an average of 11.3% per annum over 1997 - 2002. Yet this was mainly attributable to a rapid increase in premium on long-term insurance by an average of 15.0% per annum. By comparison, premium on general insurance had a much slower increase by an average of only 3.8% per annum. Within long-term insurance, individual life insurance business gained a significant headway. In 2002, 77% of the Hong Kong population were covered by individual life insurance, distinctly higher than the share of 53% in 1997.